

However, DTE has found that the October 10 proposal, as amended as required below, would make available a discounted price option for cable service to a substantial portion of the multiple dwelling buildings in Manhattan, in neighborhoods throughout the borough, and that such proposal contains substantial protections against inappropriate mark-ups of cable prices. DTE has also found that the proposed bulk rate programs, as amended, may facilitate completion of the current cable upgrade program, reduce illegal theft of cable service, improve the ability of MCTV and Paragon to provide prompt service repairs, reduce the incidence of service problems, and improve video signal quality by reducing theft related signal leakage. DTE has also found that bulk rate programs of the type proposed are widespread in urban areas in the United States and have proven to be in the public interest.

For the foregoing reasons, DTE finds that the October 10 proposal, with the changes set forth below, will enhance the public interest and is therefore approved, provided that MCTV and Paragon agree to the changes set forth below by countersigning a copy of this letter in the spaces designated and returning an original countersigned copy.

The changes to the October 10 proposal that Paragon and MCTV must agree to prior to this approval becoming effective are as follows:

(1) The eligibility threshold of 20 units which was proposed in the October 10 letter must be reduced to 15 units. That is, the bulk rate option must be offered to all buildings in the franchise area that contain fifteen or more units.

(2) No less than ten business days before sending out the notices in the form of Exhibit C attached to your October 10 proposal, MCTV and Paragon will offer DTE the opportunity to provide an accompanying letter from DTE to building owners, and if DTE opts to provide such a letter, MCTV and Paragon will include such a letter in its distribution of the Exhibit C notice.

(3) No bulk rate agreement shall extend beyond the end of Paragon and MCTV's current franchise period. Thus, any bulk rate agreements which may be entered into after September 30, 1993 must expire no later than September 30, 1998, notwithstanding the maximum five year term provided in Section IX of your proposed bulk billing agreement. At the end of the current franchise period the City will review the bulk rate program to determine whether the continuation of bulk rates remains in the public interest, or whether modifications or termination is appropriate.

(4) Notwithstanding footnote 3 on page 1 of the proposed bulk billing agreement, which covers installation charges, under no circumstances may the installation charge per unit for any bulk building that has not previously had cable service exceed the company's then-prevailing standard installation charge for residential units. This maximum charge for installation shall apply regardless of the "Company's cost of labor and materials" referred to in footnote 3.

(5) On March 1, 1993, and on March 1 of every year thereafter through March 1, 1998, MCTV and Paragon will each submit a report to DTE listing all buildings with which it had a current bulk rate agreement as of December 31 of the preceding year. Such report will specify, for each agreement, the term of the agreement, the building address, the number of units in the building, the tier of bulk service provided, the form of ownership of the building (rental, condominium, cooperative), any installation charges imposed at the building and any other relevant information DTE may request.

Subject to acceptance of the preceding changes, the October 10, 1992 bulk rate proposal is hereby approved, effective immediately.

Yours truly,



Bill Squadron

The conditions set forth are accepted and agreed to:

Manhattan Cable Television

By: _____

Paragon Cable Manhattan

By: _____

1

Exhibit D

1

12/09/92

16:42

PARAGON CABLE + 1 212 7403254

DB2



PARAGON
CABLE
MANHATTAN

PETER N. RUBEN
VICE PRESIDENT
MARKETING
PHONE (212) 304 3064
FAX (212) 304 3111

December 8, 1992

Ms. Julie Penada
Castle Village
110 Cabrini Boulevard
New York, NY 10033

Dear Ms. Penada:

Thank you for allowing me to address the board of directors concerning Paragon Cable. At that meeting, I mentioned that we have obtained a bulk rate agreement with the city. The bulk rate is based on billing through the co-op board and requires 100% participation. This would entitle Castle Village to receive a discount of 25% off Paragon's rates for Broadcast Basic, Standard Tier, and Standard Plus Tiers of service, depending on the level decided by the board. The bulk rate includes our standard channel selector and remote control. We will be sending out a formal bulk rate announcement shortly. The response I received at the last meeting indicates that this type of agreement may not fully meet your needs as many residents currently do not subscribe to Paragon Cable. Another question that came up at the meeting concerned carrying SportsChannel on the bulk rate. This isn't possible at this time, however, over 95% of our customers do not receive SportsChannel and would not receive a significant benefit from this service. Included in our bulk rate would be other services that are now carried only by Paragon Cable, such as New York 1 News, Court TV, Cartoon, public and municipal channels.

In discussing the benefits of Paragon Cable versus Liberty Cable, I have attached another copy of Paragon's Service Features. We appreciate the opportunity to provide service to Castle Village and look forward to continuing our relationship.

Sincerely,

Peter Ruben
Vice President, Marketing

EX-D



short-term discounts or reduced charges; (iii) other special discounts or reduced charges to identifiable classes of Subscribers or potential Subscribers to the extent approved by the Director pursuant to Section 5.4 hereof; or (iv) to the extent applied on a nondiscriminatory basis, normal credit practices and practices designed to prevent unauthorized reception of any Service or to protect Company property, to the extent consistent with Appendix I to this Agreement.

5.4 Discounts. Except as provided in Section 5.3 hereof, all fees, charges, deposits and associated terms and conditions imposed by the Company with respect to any Subscriber shall be nondiscriminatory, provided, however, that, subject to the prior written approval of the Director, the Company may utilize bulk rate arrangements or other special discounts or reduced charges for identifiable classes of Subscribers pursuant to Section 5.3(iii). The Director may approve such reduced charges or arrangements (referred to herein as "Discounts") if the Director finds that they are designed to meet the public interest. In order to initiate such Discounts, the Company must submit a written plan to the Director detailing the terms of the Discounts, and describing the common characteristics of

the Subscribers who will receive such Discounts under the plan. In connection with such Discounts, the Company shall ensure that no Residential Subscriber is charged any fee, charge or deposit for Services in excess of those set forth in Appendix C to this Agreement.

5.5 Hearing Impaired. The Company shall provide equipment which facilitates the reception of Services by hearing impaired individuals at the rates set forth in Appendix C to this Agreement. Notwithstanding any provision of this Agreement to the contrary, such rates shall not be increased without the prior consent of the Director.

5.6 Lifeline Cable Assistance Program. No later than the date of completion of the Upgrade, the Company shall develop and offer, after obtaining input prior to completion of the Upgrade from the Borough President's Office, as well as any interested community groups, a Lifeline Cable Assistance Program consisting of a reduced menu of Cable Services including, at a minimum, off-the-air and Access Channels, available to all Persons at rates designed to assure that the objective

EXHIBIT 2

NEW YORK STATE COMMISSION
ON CABLE TELEVISION

-----X
IN THE MATTER OF PETITION FOR
DECLARATORY AND INJUNCTIVE RELIEF
REGARDING THE IMPLEMENTATION OF BULK
RATES BY TIME WARNER'S MANHATTAN
CABLE TELEVISION AND PARAGON CABLE
COMPANIES
-----X

PETITION

Docket No.

Petitioner, John L. Hanks, states on information and belief as follows:

1. John L. Hanks is a resident of Manhattan in New York City. He subscribes to cable television services provided by Manhattan Cable Television (MCTV) and is a potential subscriber to new video television delivery systems that may emerge to compete with MCTV in the future. He is a professor of law at Cardozo Law School of Yeshiva University and was formerly Director of Franchises for New York City. In the latter capacity he oversaw the cable television franchises granted by New York City, including leading the negotiations for the City with Time Warner for the renewal of the MCTV and Paragon Cable television franchises in 1990.
2. Time Warner Entertainment Company, L.P. ("Time Warner") owns or manages various cable companies with franchises in New York City, including MCTV and Paragon Cable, both in Manhattan.
3. John Hanks files this Petition because Time Warner apparently has been granted the authority by the Commissioner of the New York City Department of Telecommunications and Energy (DTE) to enter into "bulk rate" arrangements with certain building owners and operators in Manhattan. John Hanks, as a MCTV subscriber and as a potential subscriber to a competing system to MCTV's, will be damaged by this decision. Since the Petitioner has only recently, indirectly and unofficially received notice of DTE's actions, and since DTE apparently has not published or in any other way publicly made known its decision, this Petition is timely.
4. If the Commission for any reason determines that John Hanks does not have standing to bring this Petition, he then requests that in the alternative the Commission treat this Petition as an Amicus Offering, urging the Commission to treat Time Warner's bulk rate proposal (the Proposal) as a proposed Amendment to the Manhattan Cable Television Franchise Agreements and to exercise jurisdiction over the Proposal, with appropriate notice and opportunity for public hearing and comment.

5. Apparently, on July 10, 1992 Time Warner presented its Proposal to DTE for DTE's approval, pursuant to §5.4 of the 1990 Manhattan Cable Television Franchise Agreements.* Time Warner apparently amended the Proposal by letter dated October 13, 1992. (See Exhibit A to this Petition for a copy of the October 13, 1992 letter without attachments.) The Proposal would permit Time Warner to provide cable television services on a bulk rate basis to buildings of a certain size in Manhattan.

6. Apparently, DTE approved the Proposal with modifications by letter dated November 18, 1992. (See Exhibit B to this Petition.)

7. Apparently, both Time Warner and DTE consider DTE's decision final, not requiring action by the New York State Commission on Cable Television (the Commission) for the bulk rate Proposal to become effective.

8. Section 5.4 of the Manhattan Cable Television Franchise Agreements prohibits bulk rates and other forms of discriminatory pricing, except as to certain bulk rates which the Commissioner of DTE may authorize upon a finding that they meet the public interest.

9. By order adopted August 8, 1990 and released February 28, 1991, the Commission approved with modifications the Manhattan Cable Television Franchise Agreements. In doing so it said:

§5.4 and §5.5 of each agreement provide that bulk rate agreements... can be implemented upon approval by [the Department]. These rates remain subject to regulation under §623 of the Cable Act (47 U.S.C. §543) and, therefore, are also subject to the provisions of §825 and §822 of the Executive Law. The

* Section 5.4 of the Manhattan Cable Television Franchise Agreements provides:

"5.4 Discounts. Except as provided in Section 5.3 hereof, all fees, charges, deposits and associated terms and conditions imposed by the Company with respect to any Subscriber shall be nondiscriminatory, provided, however, that, subject to the prior written approval of the Director, the Company may utilize bulk rate arrangements or other special discounts or reduced charges for identifiable classes of Subscribers pursuant to Section 5.3(iii). The Director may approve such reduced charges or arrangements (referred to herein as "Discounts") if the Director finds that they are designed to meet the public interest. In order to initiate such Discounts, the Company must submit a written plan to the Director detailing the terms of the Discounts, and describing the common characteristics of the Subscribers who will receive such Discounts under the plan. In connection with such Discounts, the Company shall ensure that no Residential Subscriber is charged any fee, charge or deposit for Services in excess of those set forth in Appendix C of the Agreement."

fact that the authority to approve rates is delegated by a legislative body does not remove the matter from statutory requirements.

Accordingly, we wish to make clear that any action pursuant to §5.4 and §5.5 which constitutes an amendment to the franchise pursuant to §825, is subject to commission approval under §822.

In the Matter of Application of Manhattan Cable Television, Inc for Approval of a Renewal of a Franchise in the City of New York (Borough of Manhattan), Docket No. 30711 and In the Matter of Application of Paragon Cable Manhattan for Approval of a Renewal of a Franchise for the City of New York (Borough of Manhattan), Docket No. 30712, New York State Commission on Cable Television, Decision No. 91-060, at p. 15.

10. There are no bulk rates specified in the Manhattan Cable Television Franchise Agreements approved by the Commission in 1990. The Commission has never approved the use of bulk rates by MCTV or Paragon Cable.

11. Executive law §825(1) requires that "the rates charged by cable television companies shall be those specified in the franchise."

12. The Proposal has not been passed on by the Commission. The Proposal is an amendment to the Manhattan Cable Television Franchise Agreements under §825 of the Executive Law, which requires the Commission's approval under §822 before it can be implemented.

13. The Proposal has wide-reaching implications. It is not a mere minor adjustment of an approved franchise agreement; it is a major departure from City, State and national policy. It requires the closest and most thorough consideration by the Commission before becoming effective.

14. The Proposal as modified discriminates without justification between subscribers in buildings with fifteen or more units and subscribers in buildings with fourteen or less units. Furthermore, since Time Warner has made no showing that landlords in rent stabilized buildings will receive authority to pass on the costs if they subscribe to bulk rates, it is likely even individuals in the same size buildings, including rental buildings, will be discriminated against. The Proposal is in violation of public policy and of law. (See Paragraph 22 herein.)

15. The discrimination is not cost justified, as Time Warner is nearing completion of the rebuild of the Manhattan systems and so most capital costs are "sunk costs" unaffected by the bulk rate Proposal. There are no cost efficiencies that result from building owners and operators performing billing services for cable services separate from those of Time Warner. Indeed, Time Warner under the Proposal will directly bill bulk rate subscribers for all premium channels subscribed to in addition to the billing from building owners and operators. The discrimination is not justified by a social policy, such as, say, a preference for senior citizens

or disabled, home-bound persons or economically disadvantaged groups. Indeed, the class of persons most likely to enjoy a preference from the Proposal - coop and condominium owners - tends to be the most economically advantaged group in Manhattan.

16. The Proposal if implemented would force households that do not currently subscribe to Time Warner services to pay for them whether they want them or not, making the charge very much like a tax.

17. The Proposal would permit Time Warner acting in concert with building owners and operators to create a tie-in of Time Warner's cable television services with the rental or ownership of housing units, in violation of State and federal antitrust law and against public policy. Unlike some goods and services provided by building owners and operators, such as the maintenance of common spaces, which are in the nature of indivisible "public goods," cable television services are not a public good; it is easily divisible so that the beneficiary of the service can pay for it as has been the practice in New York City until now. There is no justification for treating it as a public good.

18. Under the Proposal, building owners and operators would pay 75% of the normal retail rates and would be charged for all units in the building, including the ones that do not currently subscribe to Time Warner's services. The building owner or operator would then charge all the tenants or apartment owners at a rate somewhere between or at the 75% rate and the full normal retail rate. How the building owner or operator passes through the charge (possibly with add-ons) to the tenant or apartment owner depends on its contract with the tenant or owner. A typical arrangement would be to include the charge as part of the common fee for a coop or condominium. Since common fees are usually based on the size of the tenant or owner's apartment, the result is an even further price discrimination in the delivery of cable services, over and above the general price discrimination resulting from the Proposal. With this method of payment, tenants or owners in the same building pay radically different amounts for cable service depending on the size of their apartments. Indeed, this was a common method for owners and operators to pass through secret and illegal bulk rates charged by the Manhattan cable systems prior to the Manhattan systems being forced to discontinue that illegal practice by the then Director of Franchises (Petitioner) in the late '80s. (On information and belief the Petitioner believes that Time Warner has not in fact fully discontinued the use of illegal bulk rates as it was ordered to and as it agreed to do.) Nothing in Time Warner's Proposal or DTE's approval prevents charging tenants or owners on this basis and since it was often the practice in the past, it may be expected to be the practice in the future if this Proposal is implemented. Nothing in the Proposal requires that building owners and operators charge only tenants and apartment owners who desire cable service and then only charge them a uniform price.

19. It is critical to note that under this Proposal non-subscribers are forced to pay for services they do not want. Assume, for example, that about 60% of the households in Manhattan subscribe to Time Warner's cable services. So an average of about 40% of the tenants and apartment owners do not currently subscribe. Time Warner now collects from the typical multi-family building about 60% of what it would collect if all the tenants and apartment

owners subscribed to its services. Under the Proposal, if Time Warner can negotiate a bulk rate arrangement with a building, it can increase its revenues (from the lower tiers) by 25%, from approximately 60% to 75% of the amount it would receive if everyone in that building subscribed. Where does the extra money come from if the building owner or operator is not permitted to charge more than the normal retail rate? It comes from the tenants or apartment owners who previously did not subscribe to Time Warner services and most of whom probably do not wish to subscribe even after the bulk rate.

20. In other words, the Proposal is a scheme by which Time Warner and the owners or operators of some buildings acting in concert can force some households to pay for a service they do not have and do not want. Such a scheme clearly is not in the public interest and should be rejected as a matter of public policy in all cases where the City or State has regulatory authority over the issue. Indeed, it constitutes an illegal tie-in under both federal and State antitrust law.

21. Under the Proposal, by forcing households to pay for services they do not want Time Warner acting in concert with building owners and operators will be in violation of §623(f) of the Cable Television Consumer Protection and Competition Act of 1992, Public Law 102-385, Oct. 5, 1992, (the Cable Act of 1992), which provides:

"NEGATIVE OPTION BILLING PROHIBITED. --A cable operator shall not charge a subscriber for any service or equipment that the subscriber has not affirmatively requested by name. For purposes of this subsection, a subscriber's failure to refuse a cable operator's proposal to provide such service or equipment shall not be deemed to be an affirmative request for such service or equipment."

22. The rate structure inherent in the Proposal violates §623(d) of the Cable Act of 1992, in that Time Warner's rate structure is not uniform as to similarly situated subscribers throughout its geographic service area. Section 623(d) provides:

"UNIFORM RATE STRUCTURE REQUIRED. --A cable operator shall have a rate structure, for the provision of cable service, that is uniform throughout the geographic area in which cable service is provided over its cable system."

23. Under the Proposal, different rates will be charged to subscribers in different buildings and to subscribers within the same building. But the worst effect and the Proposal's most serious threat to the public interest and welfare is neither its gross discriminatory impacts or its taxing of non-subscribers to help fill the pockets of the Time Warner and building owners. It is that implementation of the Proposal will choke off any possibility of competition to Time Warner's monopoly in the market of video delivery services in Manhattan. Liberty Cable Company, Inc. (Liberty) is a tiny firm attempting currently to compete with Time Warner. New

technologies offer the hope of further competition. Liberty and NYNEX, as a joint enterprise, have recently announced a test of a "video on demand" system to be delivered over telephone lines. The Bell regional telephone companies, acting through Bellcore, have developed technology that makes it commercially possible to deliver television signals over existing telephone lines. The Federal Communications Commission (FCC) has recently approved the use of certain high frequency radio signals to be used for a video delivery system in which subscribers receive the signals via a small (6" x 6") antenna. The FCC will soon be allocating those frequencies in New York City. Competition and the benefits of competition are on the horizon -- if they are not prevented from getting even a small foothold in the Manhattan market by this bulk rate scheme.

24. If the Proposal is implemented, these new delivery systems and others will never have a realistic opportunity to compete with Time Warner's giant monopoly, a monopoly it have enjoyed for over two decades. The reason is simple: a tenant or apartment owner in a bulk rate building has no incentive to subscribe to a new service, even if it provides identical programming to that on the Time Warner system and is cheaper. Even if the new system offered better service or programming, the tenant or apartment owner probably would not switch because if he or she were to switch, he or she would continue to have to pay the Time Warner fee that is being administrated in concert with building operators or owners. For example, suppose a typical subscriber to MCTV pays, say, \$21.95 per month. If a new system were to come along and offer the same programming, picture quality and service for, say, \$15.95, a subscriber not in a bulk rate building might drop MCTV and its \$21.95 per month charge and sign up with the new system for \$15.95. But the bulk rate tenant or owner is in quite another position. He or she would not be able to discontinue paying for MCTV's service, so he or she would not decide to pay \$15.95 to take the service from a different system. Whether he or she takes MCTV's service or not, he or she must pay the MCTV pass through charge (probably with an add-on.)

25. Congress, over the veto of the President, recently overwhelmingly enacted law subjecting the cable industry to reregulation after an unsuccessful experiment with deregulation of the monopolized cable television industry (the Cable Act of 1992). But even as Congress did this, it did so reluctantly and with the hope that regulation would be only a stopgap measure until competition could solved the problems of monopolistic abuses by the cable industry. If this Proposal is implemented, it could set back the Congressional policy of encouraging competition in the cable television market by many years, at least in Manhattan and possibly the rest of New York City.

26. To the extent that the Proposal if implemented would have the effect of denying the Petitioner the opportunity to hear speakers and, through interactive processes, to speak with selected audiences that he might otherwise be able to listen to or speak with, such as those provided by current and potential competitors to Time Warner, he and all other residents of Manhattan are denied their rights under the First and Fourteenth Amendments to the United States Constitution.

27. The City of New York receives significant sums of money in the nature of franchise fees from Time Warner as well as certain services such as public access and municipal channels and funding. It receives no such fees and services from Time Warner's competitors, nor does it appear that it will necessarily receive such fees and services from potential competitors.

28. To the extent that the City has approved Time Warner's bulk rate proposal to protect the integrity of the City's cash flow, it has conspired to restraint trade in violation of federal antitrust laws. Given that there are virtually no facts that support a finding that the Proposal is in the public interest, the inference is strong that the City has acted illegally only to protect its cash flow by excluding from the cable television market current and potential competitors to Time Warner.

29. This petition has delved briefly into the merits of the Proposal to show how far-reaching are its implications. Given the important potential consequences of the Proposal, it is clear that the Proposal must be viewed as a major and radical amendment to the Manhattan Cable Television Franchise Agreements, which requires action pursuant to Executive Law and approval by the Commission. No amendment of such significance for the public interest should be permitted to by-pass the usual governmental safeguards of notice, public hearing and approval by the appropriate officials.

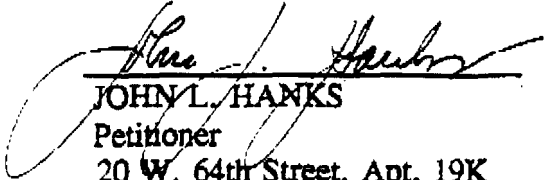
30. The Petitioner, who was the City's negotiator of the 1990 Manhattan Cable Television Franchises, assures the Commission that it was never intended that a Proposal such as that put forth by Time Warner could be approved by a Commissioner, acting alone, behind closed doors, without notice or public hearing or review by the State's Commission. New York City, apparently, does not even plan to bring this Proposal before its own Franchises and Concessions Review Committee, where there might have been some opportunity for an airing of views and public debate. It is therefore all the more important that the Commission assume jurisdiction to assure that this Proposal is considered in an open process.

Relief Requested

Wherefore, Petitioner requests that the Commission issue an order:

1. Declaring that the Proposal requires the Commission's approval as an amendment to the Manhattan Cable Television Franchise Agreements pursuant to Article 28 of the Executive Law and its implementing regulations;
2. Commencing a proceeding according to law to determine whether the Proposal should be approved by the Commission; and
3. Directing MCTV and Paragon Cable not to implement the Proposal until the Commission has approved it after considering it in accordance with law.

Dated: January 12, 1993



JOHN L. HANKS

Petitioner

20 W. 64th Street, Apt. 19K

New York, NY 10023

Office: (212) 790-0373

Home: (212) 799-8575

cc: William Squadron,
Commissioner
N.Y.C. Department of Telecommunications
and Energy

Richard Aurelio,
President
Time Warner New York City
Cable Group

W. James MacNaughton, Esq.,
Attorney for Liberty Cable Company, Inc.
90 Woodbridge Center Drive, Suite 610
Woodbridge, NJ 07095

CERTIFICATION OF FILING AND MAILING

I hereby certify that the original and four copies of the annexed Petition dated January 12, 1993 have been filed this same date with the New York State Commission on Cable Television by Federal Express.

I also certify that a true copy of the Petition was mailed by Federal Express to:

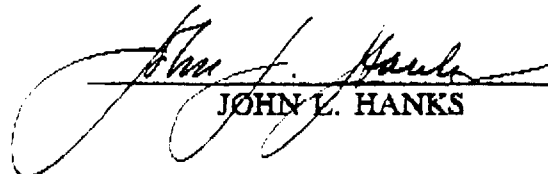
Richard Aurelio, President
Time Warner New York City Cable Group
1270 Avenue of the Americas
New York, NY 10020

and

W. James MacNaughton, Esq.
Attorney for Liberty Cable Company, Inc.
90 Woodbridge Center Drive, Suite 610
Woodbridge, NJ 07095

and

William Squadron,
Commissioner
N.Y.C. Department of Telecommunications
and Energy
75 Park Place, 6th Floor
New York, NY 10007


JOHN L. HANKS

Dated: January 12, 1993

EXHIBIT 3

T I M E W A R N E R

October 10, 1992

Hon. William F. Squadron
Commissioner
Department of Telecommunications and Energy
75 Park Place -- 6th Floor
New York, New York 10007

RE: Amended Bulk Rate Proposal

Dear Commissioner Squadron:

This letter is to respond to the issues you raised at our meeting on September 23, 1992, and to further modify our amended Bulk Rate Proposal dated July 10, 1992.

The Manhattan system of Time Warner Cable of New York City ("Manhattan") and Paragon Cable Manhattan ("Paragon") (collectively the "Companies") have previously proposed to offer bulk rates uniformly to any multiple dwelling unit building that contains a minimum of 25 dwelling units. You have asked for a statistical analysis by the Companies of the number of homes passed that would be affected if bulk rates were offered to buildings containing the following minimum numbers of units: 25, 20, 15, 10 and 6.* The Companies' have analyzed their databases and determined the following:

<u>Threshold</u>	<u>Percentage of Homes Passed</u>	
	<u>Manhattan</u>	<u>Paragon</u>
25	73.7	73.1
20	80.9	81.1
15	86.3	85.9
10	91.2	92.1
6	94.7	96.4

-
- + You have also asked for a listing of the Companies' existing bulk rate buildings by type of ownership (e.g., co-op, condo, rental, etc.). I have enclosed such listing for Paragon as Exhibit A. A similar list for Manhattan is in preparation and will be supplied shortly under separate cover.

In the interest of broadening the availability of bulk rate discounts, the Companies would be prepared to lower the eligibility threshold to individual buildings with twenty (20) units or more. This would make bulk discounts available to over 80% of the homes in both franchise areas, thus affecting the widest possible universe that is practical to administer. To offer bulk rates to buildings with fewer than 20 units is simply not financially viable or administratively realistic.

We would be prepared to limit the service level that we would offer to buildings on a bulk basis to packages of service tiers below the premium level, i.e., either (i) Broadcast Basic Service and the Standard Service tier or (ii) Broadcast Basic Service and the Standard tier and Standard Plus tiers. The building owner would receive a twenty-five percent (25%) discount on whichever of the two packages is selected. To limit our offer further than the above would destroy our ability to compete effectively with non-franchised pay TV providers, who are unregulated and therefore are not subject to similar restrictions.

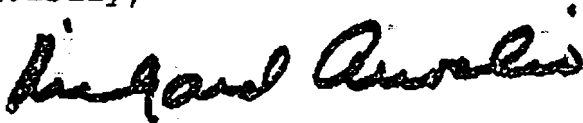
With respect to the other items you raised at the September 23 meeting, our responses are as follows:

- (1) We would be prepared to waive installation charges for buildings with existing cable service, but not buildings that have not previously been served.
- (2) Once we reach agreement with a building owner on a bulk rate arrangement, we will notify all residents that the landlord is contractually prohibited from marking up the price of service to a level higher than the normal retail price. A draft of such a notice is enclosed herewith as Exhibit B.
- (3) All residents of a bulk rate building will be accorded all normal subscriber rights (e.g., privacy, credits, etc.), whether or not they subscribe to any additional services in excess of bulk service. They will receive all notices and other information routinely provided to non-bulk customers.

- (4) The Companies plan to send letters to the owners of all eligible buildings within 180 days following approval by the City of the terms of a bulk rate plan. A draft of the form of notice is enclosed herewith as Exhibit C.
- (5) The changes we have discussed have been incorporated into the proposed form of bulk rate agreement we submitted previously, which is enclosed herewith as Exhibit D.

We would appreciate your earliest possible response to this revised proposal.

Sincerely,



Richard Aurelio

cc: Robert Jacobs
John Rigsby
Barry Rosenblum

EXHIBIT B

NOTICE OF BULK SERVICE CUSTOMER RIGHTS

Dear Resident:

The Owner of your building has entered into a Bulk Billing Agreement with [Time Warner Cable of New York City] [Paragon Cable Manhattan]. Under the terms of that Agreement, the Owner has agreed to pay for cable television service for every apartment in your building. In return for that 100% commitment, [Time Warner] [Paragon] will provide the Owner with a 25% discount from the normal retail price for such service.

Please be advised that, under the terms of the Bulk Billing Agreement, the Owner may not bill you for the Bulk Service we provide any more than the normal retail price of that service. You should also be aware that you are entitled to purchase any other cable services we offer (e.g., additional outlets, premium service, pay-per-view programs) directly from us at our normal prices for such services. You are also entitled to all other rights to which our non-bulk rate customers are entitled.

If you have any questions about your rights as a cable television customer, please call us at _____ or you may call the New York City Department of Telecommunications and Energy at _____ or the New York State Commission on Cable Television at _____.

We look forward to providing you with the finest in cable television service.

Sincerely,

[Time Warner Cable of New York City]

[Paragon Cable Manhattan]

NOTICE OF THE AVAILABILITY OF BULK RATES

Dear Owner:

[Time Warner Cable of New York City] [Paragon Cable Manhattan] has been authorized by the City of New York to offer bulk discounts to the owners of apartment buildings with twenty (20) or more dwelling units.

We would be prepared to offer you a twenty-five percent (25%) discount each month on either of the following service packages:

- (1) Broadcast Basic Service and the Standard Service tier (current retail price \$14.95 + \$6.00 = \$20.95; total discounted bulk rate \$15.70, a monthly savings of \$5.25); or
- (2) Broadcast Basic Service and the Standard Service tier and the Standard Plus tier (current retail price \$14.95 + \$6.00 + \$1.00 = \$21.95; total discounted bulk rate \$16.45, a monthly savings of \$5.50).

In return for that 25% discount, you must agree to purchase the selected level of service for one hundred percent (100%) of the dwelling units in your building.

Should you be interested in bulk rate service, please complete the enclosed form and return it to us.

Sincerely,

[Time Warner Cable of New York City]

[Paragon Cable Manhattan]

EXHIBIT D

BULK BILLING AGREEMENT

AGREEMENT, dated the _____ day of _____, 199_,
between _____ ("Client"),
owner of the building located at _____
_____ (the "Premises"), and [Time Warner Cable of New York
City, a division of Time Warner Entertainment Company, L.P.]
[Paragon Cable Manhattan] (the "Company")¹, with its principal
place of business at _____, New York,
New York 100_. In consideration of the covenants herein and for
other good and valuable consideration, the parties hereto agree
as follows:

I. SERVICE

The Company hereby agrees to install one primary cable televi-
sion outlet with converter in each apartment at the Premises and
to provide to that outlet its _____ Service tier
("Bulk Service").² A total of _____ apartments will receive
Bulk Service subject to change pursuant to Section VII-C of this
Agreement. All outlets receiving Bulk Service will be in loca-
tions selected by individual apartment residents ("Subscribers").

II. PAYMENTS

A. Client shall pay to the Company the Company's current
usual installation rate for each converter installed to provide
Bulk Service to the Premises.³

¹ [In the event that the City approves this proposed form of
agreement, each company will substitute its own name as
appropriate when using this contract.]

² [The precise level of service will depend on the agreement
reached with each individual building.]

³ [This paragraph applies only to buildings which have not
previously had cable service; there will be no installation
charge for buildings with existing customers. The Company
reserves the right to charge a different installation rate
depending on actual circumstances, including but not limited
to the Company's cost of labor and materials.]

B. Regardless of the number of apartments actually receiving Bulk Service, the Company shall bill Client directly and Client shall pay to the Company within ten (10) days of the date of such bills, a monthly amount equal to the product of:

- 1) the total number of apartments on the Premises; multiplied by
- 2) an amount equal to 75% of the Company's then current rate for Bulk Service ("Current Rate"). For example, the Company's Current Rate as of the date of this Agreement is \$_____ per month, hence the current discounted rate for Bulk Service is \$_____ per month per unit.
- 3) Client's total monthly Bulk Service charge (the product of (1) and (2), above, is _____, which may increase from time to time if the Company's rates increase. The Company shall provide thirty (30) days prior notice of any rate increase.

C. Client shall not charge any Subscriber any fee for Bulk Service in excess of the Current Rate. Client agrees to provide a Notice of Bulk Service Customer Rights (which form of Notice will be supplied by Company to Client) to each building resident and to post such notice in a conspicuous location on the Premises for a period of no less than thirty (30) days following execution of this Agreement.

D. If Client fails to pay any bill within thirty (30) days of the date of the bill, the Company may deny Client the discounted rate for Bulk Service and may require Client to pay the Company's then Current Rate as defined in Section II(B)(2) above for the total number of apartments specified in Section I receiving Bulk Service for that delinquent month and until such time as payments are paid in full.

E. Client shall notify the Company within ninety (90) days of receipt of a bill of any errors which it claims to have been made on such bill. If notification is not made within this period, the Company will consider the bill to be acceptable to the Client, and the Company will have no liability for refunds related to such bill.